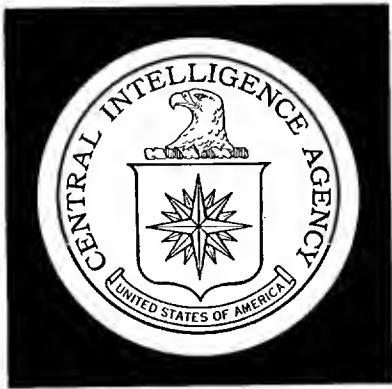


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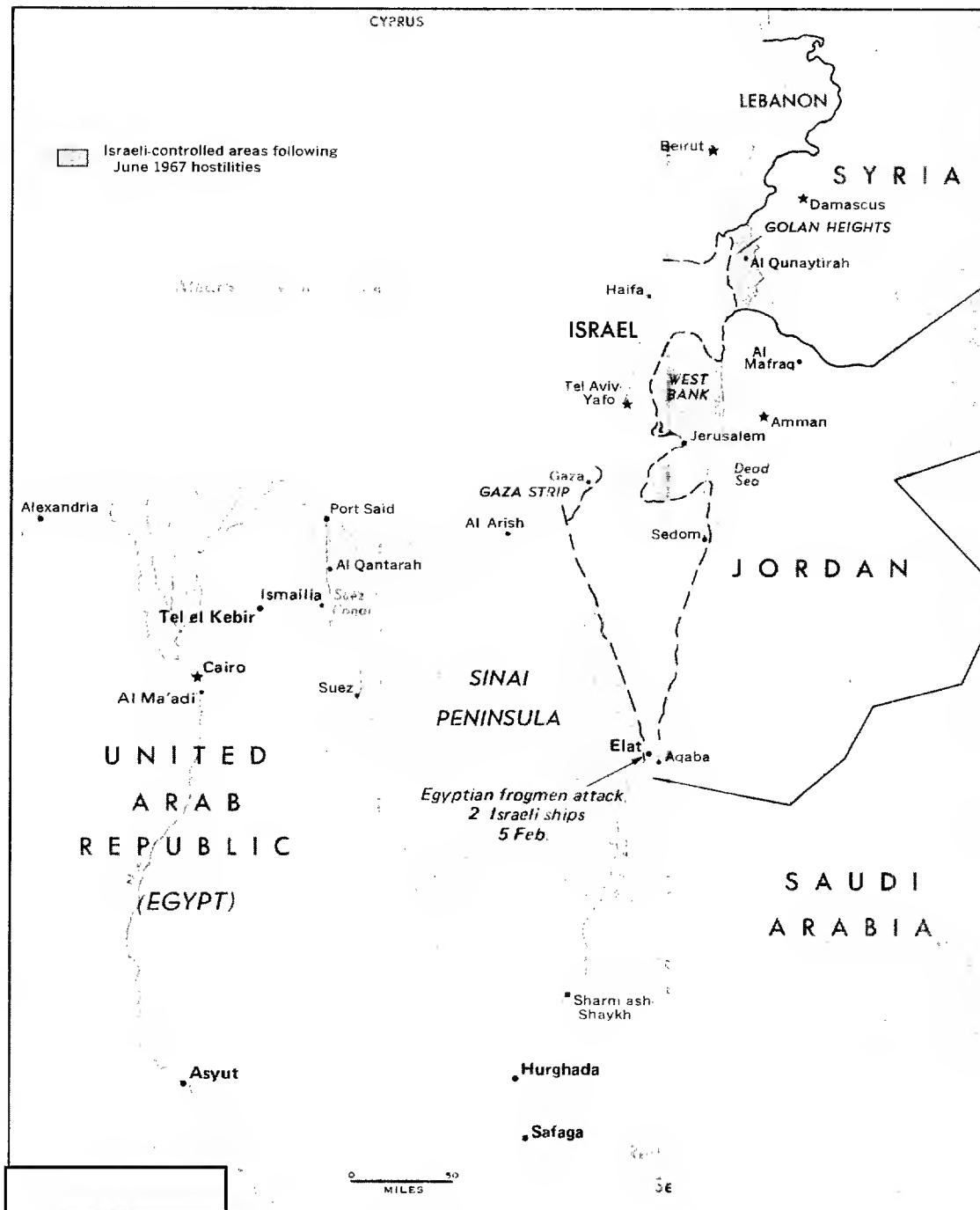
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Israeli Retaliatory Air Strikes

6 February



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Israel-Egypt: Israel struck quickly and hard at Egypt yesterday following Egyptian actions including the frogman attack on two Israeli ships at Elat.

Israeli spokesmen announced yesterday that Israeli pilots had sunk an Egyptian minelaying vessel of the T-43 class in the Gulf of Suez. They also made new air strikes on Egyptian military camps and storage installations at Tel el Kebir and near Asyut, deep in the Nile Valley some 200 miles south of Cairo. Israeli aircraft also pounded Egyptian installations along the northern sector of the Suez Canal following an Egyptian cross-canal commando raid on 5 February that resulted in the death of four Israeli soldiers. Cairo announced that the two Egyptian Red Sea naval bases at Hurghada and Safaga also suffered air attacks.

Despite diplomatic concern on the part of the big powers, it seems unlikely that the Israelis have decided to ease up on Nasir by avoiding strikes close to Cairo. The last strike the Israelis made near Cairo, however, was the raid on Maadi on 28 January. This weekend's meeting of the "front-line" Arab States in Cairo may prove too tempting to the Israelis for them to refrain from at least giving the Arab leaders some sonic booms.

Nasir is not expected to react in any dramatic manner to the Israeli reprisal raids. He may, however, initiate heavier artillery barrages along the canal or send his aircraft on further isolated bombing runs against Israeli targets in the Sinai. Meanwhile, Cairo can be expected to give noisy propaganda play to the success of the Egyptian commando attack against Elat, while downplaying the Israeli actions.

(Map)

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Nordic Economic Union: After a round of last-minute negotiations, officials of the Nordic countries have hammered out the final text of a treaty defining the terms of a Nordic Economic Union (NORDEC).

Negotiations for the treaty had been stalled for about a month, following the Finns' self-imposed ban on further participation. The reaction to this interruption both at home and in the other Nordic countries was so sharp that Helsinki was forced to reverse itself.

Much of the language is unchanged from the first draft released last July. The compromises, which would bring NORDEC into force in 1972, involve agricultural, fisheries, tariff, and financing policies. In most instances, the agreements were reached through far-reaching concessions on the part of Sweden. The treaty also includes the reservation insisted on by Finland that if one Nordic country decides on membership or association with the European Communities, the others will have the right to suspend the NORDEC treaty and begin negotiations on how to proceed with further Nordic cooperation.

The treaty will be formally presented to the prime ministers of Denmark, Norway, Finland, and Sweden at the meeting of the Nordic Council in Reykjavik scheduled for 7-12 February, and will then be sent to their governments for signature. The four governments are confident that the treaty will be ratified by their respective parliaments during the spring sessions, with the process completed by 1 July. In that way the Danes' and Norwegians' negotiating agenda will be clear when they begin talks with the Communities.

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NOTES

Italy: Prime Minister Rumor reportedly is planning to resign today in order to get formal negotiations started for a new center-left coalition. These are likely to take several weeks. The Christian Democrats, the Socialists, the right-wing Unitary Socialists, and the Republicans are expected to take part in the new government, although a successful outcome is not a foregone conclusion. A caretaker government under Rumor would serve in the interim.

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West Germany - Hungary:

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Full-scale trade negotiations are still expected, but the date has now been postponed until March or April. The Hungarian desire for greater exports to West Germany promises to raise difficulties in these talks.

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Ecuador: The budget situation continues to deteriorate. The deficit this year threatens to be as much as two and a half times that of 1969, or about half of total government expenditures. With Congress particularly no more willing this year than last to pass new tax measures, most of the deficit will probably have to be financed by inflationary borrowing from the Central Bank.

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International Labor: The leadership of the International Confederation of Free Trade Unions (ICFTU) has decided to reject the recent Warsaw Pact overtures for a trade union conference on European security. In an editorial in its monthly magazine, the ICFTU calls the overtures Soviet-directed. It further reports that it has asked the director of the International Labor Organization to call a European regional labor conference as soon as possible to deal simply with labor matters. This counterproposal is agreeable to the leadership of the West German Trade Union Federation, to whom Soviet trade union officials in Moscow had made their proposal last fall. With prospects for an early convocation of a European security conference diminishing, the Soviet Union has been searching for other ways to keep the conference idea alive.

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